

1510.03 Retirement Benefits

Issued January 1, 1994

SUBJECT: Retirement Benefits.

APPLICATION: Executive Branch Departments and Sub-units.

PURPOSE: To provide retirement benefits to State employees, including State Police.

CONTACT AGENCY: Department of Management and Budget (DMB) - Bureau of Retirement Systems.

TELEPHONE: 517/322-6215

FAX: 517/322-6269

SUMMARY: As a fringe benefit, the State provides a partial continuation of income for employees and beneficiaries, through pension benefits and post-employment health care and life insurance programs. The Bureau of Retirement Systems is the administrative agent for the State Employees' (SERS), State Police (SPRS), Public School Employees' (MPSERS), Municipal Employees' (MERS) and Judges' (JRS) retirement systems, all of which are promulgated in State statutes.

Each system is headed by a Retirement Board that provides general policy guidance and approves disability retirements. These systems offer regular service, duty disability, non-duty disability, deferred and early retirement options.

APPLICABLE FORMS: None.

PROCEDURES:

Retiree's Agency:

- Retirement Eligibility:
 - Regular Service Retirement. Eligibility varies by member category:
 - Regular Members - Age 60 with 10 years of service, age 55 with 30 years of service, or age 60 with 5 years of service for unclassified Executive and Legislative Branch members.
 - Supplemental Plan Members - Age 51 with 25 or more years of covered service, age 56 with 10 years of covered service.
 - Conservation Officer Members - Any age with 25 years of service, the last 20 of which must be as a conservation officer.
 - State Police - Members may retire after 25 years of service, or at age 50 after 10 years of service.
 - Disability Retirement. These benefits are available for members becoming disabled, as certified by the Retirement Board as recommended by the Board's medical examiner. Non-duty disability benefits are available after 10 years of credited service. Duty disability retirement (i.e., employment-related) requires no minimum service credit.
 - Deferred Retirement. Allows a vested (10 years of service, or 5 years for unclassified) employee to defer retirement benefits until the age requirement is met.
 - Early Retirement. Eligibility for benefits will change with each window of opportunity. The current plan makes retirement available at age 55 with 15 years of service. Usually, benefits are reduced 1/2 of 1% for each month the retiree is less than age 60, unless a special early retirement law is in effect.
- Budget Effect of Retirement:
 - Contributions to fund the retirement systems, based on a percentage of payroll as determined by the actuary, are charged to the agency's salary and wage account.

- Annual leave balance of an employee is paid at the hourly rate on retirement. The annual leave payoff will be charged to the agency's salary and wage account.
- Sick leave balance of an employee hired before October 1, 1980 is paid on retirement at the hourly rate. Employees hired after that date are not eligible for sick leave balance payoff. (Under the current early-out program, sick leave payoff for eligible employees is payable over 60 months). Sick leave payoff will be charged to the agency's salary and wage account.
- Personnel Considerations:
 - The agency's personnel office will receive a letter, on application for retirement by an agency employee. This letter will state the employee's intent to retire, the projected date of retirement and the type of retirement. If applicable, the letter will instruct that insurance cards be completed and will request any necessary additional information.
 - Legal actions brought against the retiree's agency or representatives by the retiree, or the retiree's estate, will be handled through the Attorney General.
 - Documentation of an employee's work habits, attitude and disciplinary actions that may affect the outcome of a disability ruling is the responsibility of the employee's agency. These procedures are outlined in the Civil Service Handbook on Employee Relations. Proof of disability, and possible duty-relatedness, is the burden of the employee.

Attorney General:

- By statute, is the attorney for the Bureau of Retirement Systems. All legal actions taken against the systems are forwarded to the Attorney General's Office for disposition.

U.S. Social Security Administration and Michigan Department of Public Health:

- Supply the Retirement Bureau with death tape information on a periodic basis. This information is cross-matched with retirees on the pension payroll data base. Deceased retirees on the data base are removed.

State Treasurer:

- Will receive certification of the monthly pension payroll amount as correct, proper and for the purposes intended by law. The payroll certification is received from the Retirement Bureau Finance Director through the DMB Department Director. The Department of Treasury, Financial Operations Division, verifies the payroll certification with the pension payroll warrant tape totals.
- As the investment officer and custodian, invests all funds received by SERS and SPRS. Investment earnings are credited to the funds' investment income accounts.

Civil Service:

- Benefits Division receives a monthly printout (program AR40/220) from DMB - Retirement Bureau, summarizing policy holder coverages. Premium deductions and employer health coverage amounts are computed on the monthly pension payroll, and transferred by receipt voucher to the Department of Civil Service.

Financial and Accounting Entities:

- DMB - Budget Offices:
 - Finalizes the funding request, as prepared by the Retirement Bureau Director and forwarded through the DMB Deputy Director for Budget. It subsequently is included in the Executive Budget Request.
- DMB - Office of Financial Management:
 - On legislative enactment of SERS and SPRS funding, includes the authorized contribution rates in the payroll system.
 - Transfers employer funding via journal voucher, crediting the employer contribution reserves for each fund.
- Retirement Bureau - Finance Division:

- Director reconciles actuarial funding requirements with contributions remitted at year-end. Any differences in net funding requirements and employer contributions is included in the following budget request as a reconciliation adjustment.
- Each month, prepares deposit slips (Federal Form 8109) for federal tax withheld, and forwards federal tax withholding on the pension payroll to the federal bank depository. Each quarter, reconciliations of the monthly deposits are prepared (Form 941) and forwarded to the Internal Revenue Service.
- Prepares monthly financial reports and schedules. At year-end these reports and schedules, along with actuarial schedules and information, comprise the SERS and SPRS annual reports.

Independent Auditor:

- Reviews the annual reports and supporting schedules each year, for accuracy and fairness of presentation.

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